



## Budget Tidbits... just the facts

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### A special session is the right choice

*In balancing the budget, the policy benefits of a special session over across-the-board cuts are clear.*

#### I. Impending choice: Across-the-board cuts or special session?

Shortly the governor will very likely be faced with a choice of whether to enact across-the-board cuts to bring the current state budget into balance, or to call the Legislature into special session to do the job.

Two events have brought us to this point:

- The increasing likelihood that over \$540 million in federal assistance will not be forthcoming. When enacted, the supplemental state operating budget assumed Congress would pass legislation appropriating additional funds to our state for Medicaid (\$483 million) and welfare (\$62 million). Neither appears likely as Congress gets set to adjourn for its summer recess.
- Revenues coming in below expectations. The initial forecast after the budget was adopted lowered revenue projections by \$207 million for the biennium.<sup>1</sup> And last month's collections distressingly came in an additional \$91 million under target.<sup>2</sup>

The governor prudently has said that if Congress does not approve additional funds by its summer recess (August 9th), then she'll assume the funds are not forthcoming.

In such a scenario the state would be facing, at a minimum, a deficit of \$230 million in the general fund, plus a \$115 million hole in the Temporary Assistance for Needy Families (welfare) box. ("At a minimum" is key because the deficit does not take into account last month's \$91 million shortfall in revenue collections.)

State law gives the governor the option of enacting across-the-board cuts to eliminate the projected general fund deficit or to call in the legislature.<sup>3</sup> The question is, "Which is the proper choice?"

## **II. From a policy standpoint, the choice for a special session is clear**

There are numerous reasons why a special session is preferable to across-the-board cuts.

### **A. The budget is not "one size fits all"**

- Should services for the developmentally disabled be cut at the same rate as spending on tourism?
- Should funding for elderly in nursing homes be cut at the same rate as health care for illegal immigrants?
- Should financial aid for needy students be cut at the same rate as public-art funding?

Almost everyone would say "no." Yet this would be the outcome under an across-the-board approach.

As the governor, the Senate majority leader and the speaker of the House have all said, the budget is a moral document that reflects our values as a state.<sup>4</sup> Following through on that sentiment, we as leaders abdicate our responsibility if we fail to exercise our considered judgment by making needed reductions in a thoughtful way, rather than a blunt approach which treats all spending as equally valuable.

### **B. Long-term savings best achieved via a special session**

Under an across-the-board approach, programs and agencies will be asked to operate with less. But since many programs are established in statute, the governor often lacks the requisite authority to eliminate activities or make structural reforms. What results are partial cuts to a program, many of which the legislature will likely find objectionable and restore at the first opportunity. The across-the-board approach merely operates to help resolve the state's current budget deficit.

By contrast, a special session will enable the Legislature to reform statutes, eliminate programs entirely, and enact structural changes that not only save money in the current biennium but also carry forward into the future, thereby lessening the state's projected \$3 billion budget problem next biennium. And the earlier these structural reforms are enacted the greater the savings to the next biennium's budget.

### **C. Only way to leave a reserve is through a special session**

The governor is authorized to issue across-the-board cuts only as are necessary to eliminate the general fund deficit.<sup>5</sup> According to her own budget office, she lacks authority to cut deeper.<sup>6</sup>

These, however, are uncertain economic times. If recent monthly revenue collections are any indication, the September revenue forecast could be markedly lower.

What is needed are not cuts to bring the deficit to zero, but rather a budget that has sufficient reserves such that it will not require additional re-writing in less than two months.

### **III. Policy, not politics, must drive the governor's decision**

There are only two reasons not to choose a special session.

- *One, political expediency.* No legislator, in an election year where the public is apparently as discontent as recent polls have shown (SurveyUSA July 23rd poll: 72% disapprove of job Washington state Legislature is doing vs. 17% approve),<sup>7</sup> wants to be called away from the campaign trail into a highly-publicized, and likely very unpopular, second special session.
- *Two, legislative incompetency.* If it became clear that legislators were simply not up to the task of making reductions, then it would be incumbent upon the governor to balance the budget via any means at her disposal.

Neither reason should come into play.

As to the first, we as elected officials must do what is right, not what is politically expedient.

As to the second, the Legislature has no more important task than writing and balancing the state budget. We should be expected to rise to our duty. And the governor should demand nothing less.

Finally, I and others have lauded the governor for embarking on an innovative, priority-driven, reform approach for developing the 2011-13 budget. It would be ironic if, within weeks after public hearings to examine what are the essential functions of government, she were to choose the crudest instrument possible – across-the-board cuts, the very antithesis of a priority-based approach – to resolve the current deficit.

### **Bottom Line**

Should the Legislature be called into special session  
if federal funds are not approved by the governor's deadline of August 9th?

1. June revenue forecast, <http://www.erfc.wa.gov/forecast/documents/rev20100617bw.pdf>, page 23.

2. July monthly collection report, <http://www.erfc.wa.gov/publications/documents/jul10a.pdf>

3. RCW 43.88.110(7) is authority for across-the-board reductions; Art. II, sec. 12 of the state constitution authorizes the governor to convene a special legislative session.

4. Governor Gregoire: "It is said that budgets are state policy. But they are much more than that. The budget reflects who we are as a state and the values we hold." <http://www.nwprogressive.org/weblog/2010/01/governor-gregoire-state-of-state-is.html>  
Speaker Chopp: "It's important that we look at the budget both as a financial document and a moral document."

[http://seattletimes.nwsource.com/html/politics/2008617180\\_tension12m.html](http://seattletimes.nwsource.com/html/politics/2008617180_tension12m.html)

Senator Brown: "The state budget is a moral document." <http://blog.senatedemocrats.wa.gov/brown/op-ed-state-needs-more-revenue/>

5. RCW 43.88.110(7).

6. [http://washingtonpolicyblog.typepad.com/washington\\_policy\\_center\\_/2010/07/special-session-would-be-needed-to-secure-budget-reserve-.html](http://washingtonpolicyblog.typepad.com/washington_policy_center_/2010/07/special-session-would-be-needed-to-secure-budget-reserve-.html)
7. <http://www.surveysa.com/client/PollReport.aspx?g=e4c28bfb-0467-409b-84f9-a7ae127477e6>